From: Paul Baker
To: lindergard@lisbonvalley.com
Date: 3/10/2010 5:03 PM
Subject: Surety Escalation

CC: Western, Wayne
Lantz--

I have good news about your bond escalation. I haven't run this by Marie McGann, but Wayne agreed with the way I made the calculation.

The surety for the Lisbon Valley copper mine was due for escalation last August. The base figure is $5,705,869 in 2007 dollars which was escalated at the rate of 3.2% for two years to the figure you currently have. 3.2% was based on a 3-year average, but we now have the actual figures which are much lower.

The figure for 2007 is 2.12%, 2008 is -3.4%, and 2009 is 2.9%. The 3-year average for escalating into the future is 0.5%. Here's the math:

$\$5,705,869 * 1.0212 * 0.966 * 1.029 * 1.005^5 = \$5,938,208$ in 2015 dollars. So, assuming no expansion, your existing bond should be adequate for another five years.

Paul Baker
Minerals Program Manager
Utah Division of Oil, Gas and Mining
801-538-5261
Fax 801-359-3940

From: <Marie_McGann@blm.gov>
To: "Paul Baker" <paulbaker@utah.gov>
Date: 3/17/2010 1:29 PM
Subject: Re: Lisbon Valley Bond Escalation
Attachments: escalation-03172010.xls

Paul,
I hadn't seen this before, but I took a look at the figures and they make
sense.
Provided my thinking is correct in that LVMs modifications for the haul
road from the GTO pit to the leach pad and the diversion design around
waste dump C would not affect the bond amount and assuming no expansion, we
concur that the existing bond should be adequate for the next 5 years..
Marie

"Paul Baker"
<paulbaker@utah.g
ov>   To
          <Marie_McGann@blm.gov>
03/17/2010 10:26   cc
AM
                              Subject
          Lisbon Valley Bond Escalation

Marie--

Did I send you an e mail about this already? I thought I did but don't see
anything in my out box.

The surety for the Lisbon Valley copper mine was due for escalation last
August. The base figure is $5,705,869 in 2007 dollars which was escalated
at the rate of 3.2% for two years to the current figure of $6,076,888.
3.2% was based on a 3-year average of cost increases, but we now have the
actual figures which are much lower.

The figure for 2007 is 2.12%, 2008 is -3.4%, and 2009 is 2.9%. The 3-year
average for escalating into the future is 0.5%. Here's the math:

$5,705,869 * 1.0212 * 0.966 * 1.029 * 1.005^5 = $5,938,208 in 2015 dollars.
So, assuming no expansion, the existing bond should be adequate for
another five years.

The attached spreadsheet does the math although the years are a little
confusing. The bond was escalated to 2007, and the figure used to escalate
from 2007 to 2008 is 2.12% (and so on).

Please let me know if you have questions about the spreadsheet or about any other aspect of this. Before sending a letter to Lantz, I need your concurrence on the amount.

Thank you.

Paul Baker
Minerals Program Manager
Utah Division of Oil, Gas and Mining
801-538-5261
Fax 801-359-3940

(See attached file: escalation-03172010.xls)